

FIRE SUPPRESSION COSTS FY 2008

A Report Prepared for the
Legislative Finance Committee

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November 29, 2007

Legislative Fiscal Division



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FY 2008 FIRE SEASON

The FY2008 fire season began on March 2, 2007 and ended November 18, 2007, by far the longest fire season on record. The Department of Natural Resources and Conservation (DNRC) provided initial attack on 481 fires, holding 452 (or 94 percent) to ten acres or less. In the county assistance program, DNRC provided assistance on an additional 138 fires.

As of November 21, 2007 the state has incurred \$106.1 million in fire suppression costs, of which \$57.3 million is reimbursable by other parties, creating a net cost to the state of \$48.8 million. This is an increase in state costs of \$6.6 million from the October report to the Legislative Finance Committee (LFC) This report will address the increase in state share and discuss how these costs will be paid. The report also includes a brief update on the Fire Suppression Interim Committee activities.

FIRE SEASON

FY 2008 SUPPRESSION COSTS

Figure 1 depicts the financial state of the FY 2008 fire season as of November 21, 2007. Part one illustrates the status of paid and unpaid obligations. To date, the state has paid \$42.8 million of the estimated \$106.1 million, leaving an unpaid balance of \$63.3 million.

Figure 1 FY 2008 Fire Suppression Costs As of November 21, 2007		
<u>PART 1: FY2008 Actual & Estimated Costs</u>		
Paid State Protection Costs		\$42,803,651
Estimated Remaining Protection Costs		<u>63,349,435</u>
Paid and Current Obligations		<u>\$106,153,086</u>
<u>PART 2: Sources of Funding</u>		
Appropriations- HB 01 Special Session		
Dept. of Natural Resources & Conservation	(39,000,000)	
Dept. of Military Affairs	<u>(3,000,000)</u>	
		(\$42,000,000)
Reimbursement Available		
Billable Support - USFS/BLM	(30,498,955)	
FEMA Reimbursement	<u>(26,797,846)</u>	
		(\$57,296,801)
Unfunded Fire Costs		<u>\$6,856,285</u>
Net Change from Oct 4, 2007 Report		\$6,655,580

Part two addresses the funding sources to cover the \$106.1 million of estimated costs. HB1 of the September special session provided \$42.0 million in general fund appropriation authority to cover the net cost to the state. Federal reimbursement is anticipated at \$30.5 million from cost share negotiations on project fires. (Project fires are those fires that escape initial attack and include direct protection zones of two or more agencies.) An additional \$26.8 million is anticipated as the federal share available through emergency assistance granted by the Federal Emergency Management Agency (FEMA) for the Jocko Lakes, Black Cat, Country Club and Ford Road fires.

After all sources of funding are considered, the unfunded portion of the \$106.1 million in estimated obligations is \$6.8 million. This is up from \$0.2 million from the October 2007 report to the LFC. The increase in state share can be attributed to increased National Guard costs, potential changes in cost share agreements, new fires, and an adjustment to the contingency amount. The contingency amount is a three percent add-on to account for any margin of error in cost settlement or actual bills. Figure 2 summarizes the increase from the October 2007 LFC report to the December 2007 LFC report.

Figure 2 Summary of Increased State Costs	
Total State Initial Attack & Project Fires	\$431,137
Cost Share - Potential Changes	5,431,266
FEMA - New -Country Club Fire	5,516
Increased National Guard costs	611,623
Contingency Adjustment	<u>176,038</u>
Total	<u>\$6,655,580</u>

FEDERAL REIMBURSEMENTS

The state incurred an estimated \$57.3 million of costs that are the responsibility of the federal government. These costs are categorized in two areas, those that are reimbursable by federal agencies through cost share agreements, and those that are covered through FEMA declarations.

Federal Emergency Management Agency Declarations

The Federal Emergency Management Agency (FEMA) provides financial assistance for events that exceed the capacity of the state. Four fires received FEMA declarations during this fire season. DNRC estimates \$26.8 million in cost recovery. FEMA requires that all bills be paid prior to requesting reimbursement. Given the complexity of this fire season, these funds are not anticipated to be received for 18 to 24 months. DNRC typically takes a general fund loan against this revenue to pay the obligations associated with the FEMA fires and then applies for reimbursement. The timing is such that the loan is held only for a short period of time.

Cost Share

The US Forest Service (USFS) has been under scrutiny by the Office of the Inspector General (OIG) regarding the increasing costs of wildland fire. Through the OIG report, the USFS has been directed to implement cost containment strategies, which include assuring suppression costs are fairly shared by state and local governments. This has translated to an increased number of fires where a cost share agreement has been initiated, increased complexity in agreements, and additional resources required to manage such agreements.

As per the October 2007 report to the LFC, a cost negotiation team consisting of state and federal representatives was established with the goal to determine a fair, accurate and justifiable cost share agreement for four fires. Preliminary discussions have led to proposals utilizing cost apportionment methods to share costs on multi-jurisdictional fires. Cost share negotiations for Jocko Lake, Black Cat, and Brush Creek fires are focusing on the costs of direct suppression resources used in each protection agency's area. This, theoretically, would represent the amount of resources utilized to suppress fire on DNRC direct protection land. Cost share negotiations for Chippy Creek fire are focused on utilizing the amount of control line plus direct air effort weighted in each protection agency. The theory behind this method is that the miles of control line should be a

Figure 3 Potential Cost Share Shifts			
Fire	Oct. Report	Nov. Report	Difference
Brush Creek	\$2,929,854	\$3,369,332	\$439,478
Chippy Creek	4,202,000	9,741,000	5,539,000
Black Cat*	2,310,000	1,940,400	(369,600)
Jocko Lake*	8,880,600	8,702,988	(177,612)
Total	<u>\$18,322,454</u>	<u>\$23,753,720</u>	<u>\$5,431,266</u>

* state share change after FEMA payments

reasonable indication of actual suppression efforts undertaken by each protection entity.

Figure 3 illustrates the potential, as these agreements are not finalized, for cost shift associated with moving away from splitting costs based on acres burned to the cost apportionment methods described above. Note the largest change is on the Chippy Creek fire, where in acres burned methodology results in a cost to the state of \$4.4 while using the cost apportionment method raises the cost by \$5.5 million to \$9.7 million. Due to this large swing, the staff

will continue to monitor the negotiations process.

AVERAGE COST OF FIRE SUPPRESSION

The average cost of fire suppression has risen from \$13.3 million in FY 2007 to \$20.9 million in FY 2008. The Legislative Fiscal Division calculates the average by utilizing the previous seven years of data, removing the high and low seasons, and dividing by five. Because of the severity of the last two seasons, including FY 2008, a moderate season was rolled off the seven year stretch and the severe season of FY 2004 was rolled into the average. This season represents the seven year high in all three areas. Figure 4 demonstrates the calculation.

Figure 4 Average Cost of Fire Suppression			
Fiscal Year	Total Cost	Reimbursements	Net Cost
2002	\$16,417,193	\$3,549,700	\$12,867,493
2003	6,710,688	4,684,927	2,025,761
2004	79,579,965	44,582,841	34,997,124
2005	3,969,096	989,945	2,979,151
2006	8,302,312	3,240,042	5,062,270
2007	61,000,318	21,290,928	39,709,390
2008 (through 11/21/2007)	106,153,086	57,296,801	48,856,285
7 year total	<u>\$282,132,658</u>	<u>\$135,635,184</u>	<u>\$146,497,474</u>
7 year average	\$40,304,665	\$19,376,455	\$20,928,211
5 year adjusted total	\$172,010,476	\$77,348,438	\$95,615,428
5 year adjusted average	\$34,402,095	\$15,469,688	\$19,123,086

CONCLUSION – FIRE COSTS

The FY 2008 fire season left thousands acres burned, a handful of buildings destroyed and a net cost to the state of \$48.8 million. Between HB 01 appropriations and the Governors' emergency fund, the estimated state share of those fires will be covered. However, if some portion of \$56.3 million owed to the state does not materialize, the burden on the state will increase proportionately. Because of this risk, LFD staff will monitor the cost settlement process and provide updates to the Legislative Finance Committee.

FIRE SUPPRESSION COMMITTEE

The Fire Suppression Committee has met twice since the last LFC meeting. The committee has approved two sub-committees, one to deal with the growing wildland urban interface and the other to deal with infrastructure issues. Infrastructure includes items such as funding for operations and suppression, state and federal relations, and contracting. The subcommittees will meet January through March and present options for consideration at public hearings across the state in the spring. The committee is scheduled to conduct business in Hamilton, Libby, Thompson Falls, Seeley Lake, Miles City and Lewistown.